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HYDRA EXPLORATIONS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED MAY 31, **1971**

HYDRA

EXPLORATIONS LIMITED

DIRECTORS

W. C. Campbell
A. W. Johnston
Jules Loeb
W. M. O'Shaughnessy
L. E. Wetmore

OFFICERS

W. C. Campbell, *President*
Jules Loeb, *Vice-President*
W. M. O'Shaughnessy, *Secretary-Treasurer*

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada
Toronto and Montreal

AUDITORS

Campbell, Lawless & Punchard
Toronto

HEAD OFFICE

Suite 1600, 100 Adelaide Street W., Toronto 1, Ontario

DIRECTORS' REPORT

TO THE SHAREHOLDERS

It is a pleasure to send you the twelfth annual report of your company, covering the fiscal year ended May 31, 1971. Included are a review of exploration activities and the financial statements. Also enclosed are notice of annual meeting and information circular.

Through the year your company continued an exploration program that included projects directed on our own behalf or in association with other companies. These projects were concentrated in Ontario, Quebec and the Northwest Territories.

NORTHWEST TERRITORIES

In late 1970 Hydra Explorations participated with three other companies in an airborne electromagnetic survey covering several areas in the Northwest Territories. A total of 2,386 line miles was flown in four areas within 150 miles of Great Slave Lake.

Many anomalous areas were located and claims were staked to cover these. Early in June, 1971, ground work was started to check the airborne results. During the summer all the favourable areas were checked by ground geophysical surveys, surface prospecting and trenching where possible. Many of these were found to be barren pyrite-pyrrhotite zones.

Several occurrences of sulphide zones, containing appreciable values in silver, copper, lead and zinc were located. To date, however, all of these have proven to be too small to be of interest in this area. The field work has recently been completed and a final report is awaited.

ONTARIO PROGRAMS

Early in January, 1971, Hydra Explorations participated with another company in the exploration of two permits totalling 87,300 acres located in the Winisk area, northern Ontario.

An airborne magnetic survey carried out by the government revealed a major structure in Precambrian rocks beneath Palaeozoic cover in the Hudson Bay Lowlands. This structure may reflect a continuation of the Thompson-Moak Lake belt of northern Manitoba, which is host to major copper-nickel deposits. The two permits in question cover the southern extension of this belt.

An airborne electromagnetic survey was carried out over the permits and anomalies of interest were located. Three of these were checked and confirmed on the ground before break-up necessitated bringing the crews out of the area. One diamond drill hole was started, but not completed before weather conditions halted the program. It is

planned to continue ground geophysical work and diamond drilling this coming winter.

In the Rush Lake area, exploration work was disappointing and Hydra's claims were allowed to lapse.

Hydra's 15-claim group in the western Sturgeon Lake area, acquired by staking and subsequently checked by geophysical surveys, has not been further explored. An office study of the known geology and geophysical results indicated that further work was not justified.

Also in the Sturgeon Lake area, Hydra's group of 18 claims, located approximately eight miles north of the base metal discovery of Mattagami Lake Mines, has been optioned by Rio Tinto Canadian Exploration Limited. Rio Tinto has completed geological mapping of the property and plans to carry out geophysical work this winter.

In southwestern Ontario the company is participating with a number of partners in a petroleum exploration program. It is planned to drill 40 well tests in this oil and gas project. Hydra will have a 10% interest. Drilling is scheduled to start later this autumn.

QUEBEC PROJECT

On the Guillet Township property, formerly held by Aubelle Mines Limited, an option agreement is being finalized with another mining company. This company had located a strong electromagnetic anomaly, with coincident magnetic readings, on an adjacent claim group. Subsequent geophysical work extended this feature into Hydra's property. The agreement proposes that Hydra's claims and the adjoining group be combined for development as a joint venture, each company to share 50% of the costs of work undertaken. Further geophysical work and diamond drilling are planned.

Should any significant results occur in any of these projects prior to the next interim report, shareholders will be advised.

On behalf of the board,



W. Clarke Campbell,
President.

Toronto, Ontario
October 25, 1971

HYDRA

EXPLORATIONS LIMITED

AMALGAMATED UNDER THE LAWS OF ONTARIO

BALANCE SHEET—MAY 31, 1971

ASSETS		1970
Cash in bank and short term bank deposits	\$ 234,380	\$ 307,303
Interest and sundry receivables	1,296	
Investments in shares of other mining and oil companies, at cost less proceeds of sale		
Listed (Consolidated Canadian Faraday Limited) (quoted market value 1971 — \$141,756, 1970 — \$161,384) .	\$ 266,854	266,854
Listed (other) (quoted market value \$47,450)	6,441	
Unlisted (quoted market value 1971 — \$1,650, 1970 — \$687)	5,401	5,401
	278,696	272,255
Mineral claims, rights and interests, at cost	368,590	376,880
Preproduction expenditures	1,438,353	1,508,788
	<u>\$2,321,315</u>	<u>\$2,465,226</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Hydra Explorations Limited as at May 31, 1971 and the statements of deficit, preproduction expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Company as at May 31, 1971 and the results of its operations and its source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
August 18, 1971

CAMPBELL, LAWLESS & PUNCHARD
Chartered Accountants

LIABILITIES

1970

Accounts payable and accrued liabilities	\$ 13,423	\$ 3,619
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Capital Stock

Authorized

5,000,000 shares of a par value of \$1 each

Issued

4,050,040 shares	\$4,050,040
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4,050,040

Less treasury shares	1,450,000
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1,450,000

2,600,040

2,600,040

Deficit

.....	292,148
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138,433

2,307,892

2,461,607

<u>\$2,321,315</u>

<u>\$2,465,226</u>

Note 1: The company has entered into two joint exploration programs under which the company is committed to further exploration expenses of up to a maximum of \$81,600.

Approved by the Board

W. C. CAMPBELL, Director.

https://archive.org/details/Hydr1460_1971

PREPRODUCTION EXPENSES

YEAR TO MAY 31, 1971

		1970
Balance beginning of year		
Predecessor companies	\$1,167,756	\$1,167,756
Amalgamated company	341,032	275,990
	<u>1,508,788</u>	<u>1,443,746</u>
Exploration and development expenses		
Engineering and geological services and expenses	\$ 7,302	1,611
Government fees, licences and acreage taxes	4,365	5,182
Diamond drilling	2,939	29,157
Field and camp supplies, travel and accommodations ...	4,860	
Aircraft charter	5,423	
General	2,020	859
Surveying and linecutting	<u>34,834</u>	<u>5,808</u>
	61,743	42,617
Administrative expenses		
Head office and accounting services and expenses	6,000	6,000
Legal and audit	2,490	4,400
Miscellaneous	307	378
Stock exchange fees and expenses	300	200
Transfer agents' fees and expenses	8,033	5,610
Government fees and taxes	477	254
Shareholders' information and publicity	5,047	5,383
Directors' fees	<u>350</u>	<u>200</u>
	23,004	22,425
Total preproduction expenses for year	<u>84,747</u>	<u>65,042</u>
	1,593,535	1,508,788
Deduct preproduction expenses written off to deficit —		
Amalgamated company	8,956	
Predecessor companies	<u>146,226</u>	
	155,182	
Balance end of year	<u>\$1,438,353</u>	<u>\$1,508,788</u>

DEFICIT

YEAR TO MAY 31, 1971

		1970
Balance beginning of year	\$ 138,433	\$ 187,003
Add — Mineral claims abandoned (\$14,000) and preproduction expenses relating thereto (\$155,182) written off ...	\$ 169,182	
— Advances to other mining companies written off	619	
	<u>169,801</u>	
	308,234	187,003
Deduct — Interest earned	\$ 16,086	22,883
— Gain on redemption and sale of investments		25,687
	<u>16,086</u>	48,570
Balance end of year	<u>\$ 292,148</u>	<u>\$ 138,433</u>

SOURCE AND APPLICATION OF FUNDS

YEAR TO MAY 31, 1971

		1970
Cash in bank and short term bank deposits beginning of year	\$ 307,303	\$ 51,094
Receipts		
Interest received	\$ 15,527	40,488
Proceeds of redemption and sale of investments		290,010
	<u>15,527</u>	330,498
	322,830	381,592
Disbursements		
Purchase of investments (net)	6,441	
Purchase of mining claims	1,700	6,300
Cost of staking mining claims	4,010	1,800
Exploration and development expenses	52,759	43,720
Administrative expenses	22,921	22,469
Advances to other mining companies	619	
	<u>88,450</u>	74,289
Cash in bank and short term bank deposits end of year	<u>\$ 234,380</u>	<u>\$ 307,303</u>

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ANNUAL REPORT 1971

Printed in Canada.